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Financial Management Practices of Farm Families in Southeastern Ohio Agriculture

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CONTENTS

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FINANCIAL MANAGEMENT PRACTICES OF FARM FAMILIES IN SOUTHEASTERN OHIO AGRICULTURE

CHRISTINE H. HILLMAN AND DONALD D. STEWARD[1]

INTRODUCTION

Employment, production, income and levels of living of many farm families in Ohio, particularly those in the southeastern part of the state, are low compared to modern standards. Conditions on the low-income farms on which many of these persons live have not developed as rapidly as national economic growth and improved technology. More information is needed relative to the financial practices and use of resources by families on these farms if necessary adjustments in the development and use of resources is to be achieved and family incomes are to be improved. Persons actively engaged in work in the lower income farming areas have expressed the need for more information on the subject as a basis for setting up and carrying forward programs contributing to the development of such rural areas.

It is recognized, furthermore, that the problem is interdisciplinary in nature and in need of investigation by researchers representing several fields of specialization, experience and concern. The current study is cooperative between the Departments of Home Economics and Agricultural Economics and Rural Sociology of the Ohio Agricultural Experiment Station and the Farm Economics Division of the Economic Research Service, U.S. Department of Agriculture.

In 1956-1957, 469 rural farm and nonfarm families in southeastern Ohio were interviewed for purposes of obtaining data relative to the economic development and use of physical and financial resources in low income farm areas. The findings of that study as well as a description of statistical techniques used in the sampling of the area are reported in another publication.[2]

The present report is limited to information obtained from a randomly selected sample of 118 farm families included in the study mentioned above. Families chosen resided in seven Ohio countries (Figure 1). The objectives of this study were to describe the financial manage-

[1]Professor, Department of Home Economics, Ohio Agricultural Experiment Station and The Ohio State University and Agricultural Economist, Farm Economics Division, Economic Research Service, U.S. Department of Agriculture, respectively. Dr. Steward is presently on leave.

[2]Steward, Donald D., Employment, Income and Resources of Rural Families of Southeastern Ohio, Research Bulletin 886, Ohio Agricultural Experiment Station, Wooster, Ohio, June, 1961.

ment practices followed by these families; to obtain personal evaluation by both the husband and wife with regard to practices, their provisions for emergency or unusual expenses; and to determine their attitudes relative to specific problems of financial management.

An interview schedule was developed for the purpose of securing the information desired. All families were contacted at their place of residence and, whenever possible, interviews were held with both husband and wife. Of the 118 families chosen, three could not be reached after two return visits to the home, two refused to cooperate, and 12 did not qualify for reasons best described as "an incomplete family." Only those homes in which both husband and wife were presently living in the home qualified for interview. Data pertinent to the study were recorded for a total of 101 families.

CHARACTERISTICS OF FAMILIES

Size of Family

In determining the size of family those persons who pooled their income and/or were dependent upon one family pocketbook for most of their support were included. Older sons and daughters, grandchildren, grandparents, and others living in homes were considered members of the economic family unless their finances were clearly separated. Children away from home and in school were included as members of the economic family if parents provided their major support.

Families varied in size from two to eleven members; the average household consisted of 4.1 members. In Table 1 it may be observed that over one-fourth (26.7 percent) of all those contacted consisted of only two members. With but two exceptions, the husband and wife in each of these two-member households were more than 55 years of age. Such couples had children but they were no longer living in the home nor were they dependent upon their parents for support.

TABLE 1.—Number and Percent of 101 Southeastern Ohio Farm Households Classified by Size.

Size of Household	Number	Percent
2 members	27	26.7
3 members	17	16.8
4 members	22	21 8
5 members	13	12 9
6 members	11	10.9
7 members	4	4.0
8 members or more	7	6.9

Fig. 1.—This is the seven-county area in which the study was made.

In the 74 remaining households (73.3 percent) there were 225 persons other than the husband and wife dependent upon one family pocketbook. Of this number, 193 were children. The majority of children (59 percent) were less than 12 years of age; 26 percent were from 12 to 16 years of age, and 15 percent were 16 years of age or older. Other than immediate family members (husband, wife, children) the 74 families were responsible, therefore, for the economic support of 32 additional persons. In all cases, these persons were related to either the farm operator or his wife, being parents, grandparents, grandchildren, or other blood relatives. In all cases the burden of support fell on the farm couples interviewed.

Age of Farm Operators and of Their Wives

Operators varied with respect to age; the average age being 51.6 years. Only 7.9 percent of those interviewed were less than 35 years of age; 45.5 percent were 55 years of age or older (Table 2). Though

TABLE 2.—Number and Percent of 101 Southeastern Ohio Farm Operators and Their Wives Classified by Age.

Age in Years	Operators		Wives	
	Number	Percent	Number	Percent
Under 35	8	7.9	9	8.9
35 - 44	23	22.8	31	30.7
45 - 54	24	23.8	26	25.7
55 - 64	27	26.7	21	20.8
65 and over	19	18.8	14	13.9

TABLE 3.—Distribution of 101 Farm Operators by Age Groupings and Classified by Number of Years of Formal Schooling.

	Age					
Formal Schooling	Under 35	35 - 44	45 - 54	55 - 64	65 and over	Number
GRADE SCHOOL						
Less than four years				1	4	5
Four through eight years	3	10	12	19	13	57
HIGH SCHOOL						
One year		4	4	1		9
Two years	1	2	4	3	1	11
Three years			1	2		3
Four years	4	5	3	1		13
COLLEGE						
One to two years		1			1	2
Three to four years		1				1

wives were slightly younger on the average, 37.4 percent were more than 55 years of age. The average of all wives was 48.6 years.

Place of Rearing

All operators were native to the United States. With but two exceptions, all were native to the state of Ohio. For the most part, operators and their wives had been born, reared, and had always lived within a few miles of their present place of residence. Only four operators and six of the female homemakers had ever lived off the farm for any period of time.

Formal Schooling

On the average, operators had received 8.8 years of formal schooling; their wives approximately 10 years. When compared by age groupings those in the older age brackets had received slightly less formal schooling than those of younger ages (Tables 3 and 4). This difference may be expected since older persons generally have received less formal education than those of younger ages presently living in this section of the state. Average years of education for persons in this study were almost the same, however, as for all persons in Ohio in 1950.[3]

Condition of Dwellings

Houses occupied by families ranged in age from 8 to more than 100 years. As for the older houses most informants could only estimate

[3]U S Census of Population, 1950.

TABLE 4.—Distribution of 101 Farm Homemakers by Age Groupings and Classified by Number of Years of Formal Schooling.

Formal Schooling	Age: Under 35	35 - 44	45 - 54	55 - 64	65 and over	Number
GRADE SCHOOL						
Less than four years					1	1
Four through eight years		3	8	10	7	28
HIGH SCHOOL						
One year	1	5	6	6		18
Two years	1	9	2	1	2	15
Three years	3	4	2	1		10
Four years	4	8	8	3	3	26
COLLEGE						
One to two years		1			1	2
Three to four years		1				1

their probable age. Only three families lived in houses less than 10 years old· more than half lived in houses at least 50 years old.

If one considers the North Central region of the United States, it has been reported that approximately 41 percent of the farm houses were built before 1900 and 78 percent before 1920.[4] In view of the history of Ohio and the progression west of early settlers it is reasonable to assume that many houses in which these families lived were among the first to be built in this region.

The condition of houses was as varied as was their age. For the purpose of this study, houses were classified as being in good, fair, poor, or a dilapidated state of repair.

Information relative to the general condition of houses, both exterior and interior, was recorded entirely on the basis of the enumerator's judgment. Such indicators as whether or not the house was badly in need of paint, the presence or absence of fly-tight screens, broken windows, sagging doors, the condition of porches, and other factors influenced this judgment. On this basis 13.9 percent of the dwellings were rated as good, 46.5 percent as fair, 27.7 percent as poor, and 11.9 percent as dilapidated.

Houses varied in size from 4 to 13 rooms. The average number of rooms contained in houses was 7.1. Practically all dwellings were of frame consturction.

[4]Cowles, May L., and Margaret H. Irwin. Factors Affecting Farm Housing. North Central Reg. Pub. No. 33. Wisconsin Agricultural Experiment Station. February, 1953.

Location of Dwellings with Respect to Roads

Frequently related to the value of rural dwellings and to the satisfaction that families derive from their place of residence is the ease with which they can get to town. This is usually dependent upon good roads.

Information pertaining to kinds of roads near which dwellings were situated revealed that 39 percent were on paved roads, 46 percent on gravel roads, and 7 percent on fair all-weather dirt roads. This would indicate relatively good accessibility to centers of community or county activities and shopping.

The Farm Enterprise

Though farming was reported as the main occupational interest of families, 43 percent of the families reported receiving some income beyond that collected from the sale of farm products. The most important source of this other income was from work off the farm. Other sources mentioned were veteran's benefits, social security payments, and money received from children living away from home. Of the 19 operators over 65 years of age, 8 received no income from these sources and had little other cash income and limited savings.

Most operators engaged in general farming and this, for the most part, is typical of the area. Farms varied in size from 40 to more than 270 acres. All but seven of the families reported ownership of the land on which they lived. The majority (89 percent) were classified as small scale farmers and 11 percent as large scale farmers.[5]

Net Family Income

Net family income for the year of study and as reported by families was relatively low ranging from debts greater than income (—$800) to $7,650. Of all families, the average income was $2,175. Forty-one percent of the small scale farm operators had incomes of less than $1,000 (Table 5). Age was a factor associated with income. As age increased beyond 55 years income tended to decrease. Those with the higher incomes and classified as large scale operators were, on the average, between 42 and 45.6 years.

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[5]In the master study reported in Ohio Agricultural Experiment Station Bulletin 886, 1961 by Donald D. Steward, farm families were classified either as large scale farmers or small scale farmers. Large scale farmers were defined as those who depended on farming as their major source of income and employment. They had enough farm resources to conduct relatively large scale farming operations that provided full or nearly full employment for the operator. Receipts from sale of farm products were $5,000 or more. The operators worked off the farm less than 100 days a year. Small scale farmers were defined as those depending largely on farming as a source of income and employment, but the scale of farming operations was relatively small. Receipts from the sale of farm products ranged from $250 to $4,000. The operators worked off the farm less than 100 days a year.

TABLE 5.—Net Family Income of 101 Farm Families, by Class of Farm and Average Age of Operator, Southeastern Ohio, 1956.

	Class of Farm Large-scale	Small-scale	Average Age Operator
Number Reporting	11	90	101
	Percent	Percent	
Less than $1,000	0	41	57.2
$1,000 - 1,999	0	28	55.3
$2,000 - 2,999	0	19	49.7
$3,000 - 3,999	0	12	42.1
$4,000 - 4,999	0	0	0.0
$5,000 - 5,999	55	0	42.1
$6,000 - 6,999	36	0	43.2
$7,000 and over	9	0	43.2
Total	100	100	—
Average Age	—	—	51.6

Level of Living

A measure of the level of living and of the socio-economic status of families is an important consideration for it indicates the extent to which they have attained that which their members may consider desirable in home living. These measures may best be presented in terms of a scale. In carrying out the objectives of the study two scales were used for purposes of (1) comparing scores received on each of the scales, and (2) determining relationships between the scores and selected outside factors.[6]

The first scale so employed was that found adequate to the objectives of a previous Ohio study in which the usefulness of certain household furnishings, equipment, and conveniences as measures of level of living were demonstrated.[7] The highest level or "more advantaged" class was comprised of those living in homes having at least seven of the ten items listed.[8] The next level of living class, called "less advantaged" consisted of those with five or six conveniences. The third highest level was composed of those termed "disadvantaged," those having

[6]It is recognized that the two scales may be questioned relative to usability with present day farm families. They were used here for purposes of examination in an effort to determine if still reliable in terms of usage with families living in designated low income farming areas.

[7]Mangus, A. R. and Howard R. Cottam. Level of Living, Social Participation, and Adjustment of Ohio Farm People. Ohio Agricultural Experiment Station Bul. No. 624, September, 1941.

[8]The 10 items were: radio, telephone, electric current, washing machine, bathroom, separate dining room, central furnace heating, refrigeration, piano, and daily newspaper.

only three or four conveniences. Finally, the lowest class, termed "greatly disadvantaged" consisted of those homes having two or less of the items.

This procedure resulted in the division of the 101 families into four level of living classes, 43 (42.6 percent) of whom were categorized as being in the more advantaged class. Twenty three of the families or almost one-fourth reported having no more than four of the items of convenience contained on the scale and were thus categorized as being either in the disadvantaged or greatly disadvantaged classes.

When grouped according to the age of the farm operator and the level of living class recorded for families (Table 6) it was observed that of those in the older brackets (over 55 years), 16.7 percent were in the disadvantaged or greatly disadvantaged groupings.

Only 8 families in the study reported having all 10 conveniences listed on this scale (Mangus-Cottam). Conveniences most frequently missing in homes were central heating, bathrooms, daily newspaper, piano, and telephone.

The Sewell Farm Family Socio-Economic Status Scale[9] was the second method used for purposes of distinguishing families by level of living and socio-economic status. The Sewell Scale includes cultural factors as well as material items.[10] In this respect it is different from the Mangus-Cottam scale.

As designed by Sewell, the minimum score that can be received on the scale is 39 and the maximum 91. For ranking the families in this study, scores were divided into quartiles. Those with scores between 39 and 51 composed the first quartile and were considered as having "extremely low" socio-economic status; those scoring 52-64 were grouped in the second quartile and classified as having "low" socio-economic status. Families whose scores fell within the third quartile (65 - 77) were rated "moderately high"; those between 78 and 91, or in the fourth quartile, were considered the more advantaged and in the "high" socio-economic group.

Using this method of ranking, the distribution of families was as follows: 39-51, 3 families; 52-64, 23 families; 65-77, 40 families; 78-91, 35 families. Scores ranged from 47 to 91. The average score for all families was 74.9; the median, 72.5

[9]William H. Sewell, "A Short Form of the Farm Family Socio-Economic Status Scale", Rural Sociology, VIII (June, 1943), 166.

[10]Instructions for use—see Family Food Consumption in Three Types of Farming Areas of the South I. An Analysis of 1947 Food Data, Southern Cooperative Series Bul. No. 7. June, 1950 pp. 42-46.

TABLE 6.—Distribution of 101 Southeastern Ohio Farm Families by Age Grouping of the Farm Operator Head of Household and by Level of Living Classes (Mangus-Cottam scale).

Age			Level of Living Classes							
			More Advantaged (7 - 10 items)		Less Advantaged (5 - 6 items)		Disadvantaged (3 - 4 items)		Greatly Disadvantaged (0 - 2 items)	
Groupings of Farm Operators	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 35	8	7.9	1	1.0	5	5.0	2	2.0		
35 - 44	23	22.8	8	7.9	12	11.8	3	3.0		
45 - 54	24	23.8	18	17.8	5	5.0	1	1.0		
55 - 64	27	26.7	12	11.9	8	7.9	6	5.9	1	1.0
65 and over	19	18.8	4	4.0	5	5.0	7	6.9	3	2.9
Total	101	100.0	43	42.6	35	34.7	19	18.8	4	3.9

When the Sewell scale and the Mangus-Cottam scale were compared for purposes of determining the extent to which both classified individual families in the same relative position with respect to group, a comparable relationship was found. The word group as used here covers comparisons made between scores received on each scale using such cross classifications as age of farm operator, head of household, husband and/or wife's formal educational attainment, religious participation, and the ownership of certain material possessions.

Though the levels of living of farm-operator families have been improving markedly in recent years, it is evident that a fairly high percentage of the families interviewed still live at a substantially lower level than do many of Ohio's farm families. Furthermore, an examination of the level of living indexes for counties and economic areas of the United States support this statement. For example, using figures reported for the "average county index of farm-operator family level of living for State economic areas[11] families residing in the economic area wherein this study was completed had an average index figure of 140.5 as contrasted to an index of 160 for farm families in the state of Ohio as a whole. Also, when figures are compared with those for the nation, counties wherein this study was carried out are classified as being among those in the low-income and low level of living areas in the country's agriculture.

FINANCIAL PRACTICES

Planning for Use of Income

Decision as to the ways in which income shall be handled to satisfy family needs, desires, and responsibilities is considered a major family function. To manage income in such a way that a family will derive the greatest satisfactions from the resources at hand is not easy. No two families even though they have identical incomes will have the same desires or needs, nor will their managerial practices be the same. There are, however, certain general practices and techniques which can help families progress with greater efficiency in income use when applied. It has been shown, too, that the application of certain of these managerial techniques and practices are positively associated with a family's level of living, concern for social status, and motivation for the adoption of improved practices both in farming and in the home.[12]

[11] Hagwood, Margaret Jarman, **et al.** Farm Operator Family Level of Living Index for Counties of the United States, 1945, 1950, and 1954. Agricultural Marketing Service, USDA. Statistical Bul. No. 204, March 1957.

[12] Wilkening, Eugene A., Adoption of Improved Farm Practices as Related to Family Practices. Wisconsin Agricultural Experiment Station Research Bul. 183. December 1953.

In part, this study is concerned not only with the relationship of specific farm family characteristics to certain practices and techniques which may increase the efficiency of income use when applied but, also, with the consistency with which the characteristics differentiate between users and non-users of these practices. Thus questions guiding the analysis of data were: (1) What factors or characteristics of families appear to be most consistantly related to the adoption and use of certain managerial techniques and financial practices? And, (2) Do the factors that are related to these practices and techniques differ widely with farm families in a low-income farming area?

The relationship of seven factors to the adoption of certain practices was analyzed. For an illustration of this procedure note Table 7. The seven factors were: (1) score on the Sewell scale, (2) increasing education of the farm operator, (3) increasing age of the farm operator, (4) increasing number of years spent in farming, (5) tenure (owner or tenant), (6) increasing number of acres operated, and (7) increasing size of household.[13]

Most of the analysis is based on sample cross tabulations of each factor or characteristic by the use or non-use of each practice studied. A relationship was considered to exist if chi-square was significant at the .05 level. Tables 8, 9, and 10 show how the tables establishing the relationships between the factors and the practice (as illustrated in Table 7) were set up in the original form.

To determine the extent to which the 101 families managed income and attempted to plan for the future, numerous inquiries were made. Among the first of these was an efforet to determine (1) whether or not families had any written or fairly well defined plans for the management of income, (2) if they kept records of farm income and expenditures, (3) if they kept household records, (4) if they had an organized plan for family savings, and (5) if the farm operator had made a will. These five practices were related to each of the seven factors or characteristics descriptive of the farm operator. These are summarized in Table 7.

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[13]Explanation of factors:

(1) Score on the Sewell Socio-Economic Status Scale (Short Form) (4 groups: 39-51, 52-64, 65-77, 78-91).

(2) Increasing number of grades of schooling completed (4 groups: 4 or less, 5-8, 9-11, 12 or more).

(4) Increasing number of years spent in farming (4 groups: under 5, 5-9, 10-19, 20 or more).

(5) Tenure of operator (2 groups: tenants and owners. All tenants were "operating" tenants).

(6) Increasing number of acres operated (4 groups: under 50, 50-99, 100-174, 175 or more).

(7) Increasing size of household (4 groups: 2 member household, 3-5, 6-8, 9 and over).

TABLE 7.—Relationship Between Seven Farm-Operator Characteristics and the Use or Non-Use of Five Selected Managerial Practices.*

Factor or Characteristic	Practice: Has a Fairly Well Defined Financial Plan	Keeps Farm Records	Homemaker Keeps Household Records	Has Organized Plan for Savings	Has Made a Will
Sewell score	+	+	+	+	+
Education	+	+	+	+	+
Age	+	—	—	+	+
Years in farming	+	+	0	+	0
Tenure	0	0	0	+	0
Acres operated	+	0	0	0	0
Size of household	+	0	+	0	0
Number to whom practice applied	101	101	101	101	101
Percent who had adopted	12	70	14	29	36

* + = positive relationship; — = negative relationship. All of these relationships are significant at the .05 level by chi-square test: 0 = no relationship that is significant at this level.

Data indicate that a number of factors were associated with the adoption of most of the practices. Two factors, the score on the Sewell scale and the increased educational level of the farm operator, had a positive relationship to all five practices. Younger ages were positively associated with a written or fairly well defined financial plan, an organized plan for savings, and the making of a will. Younger ages had a negative relationship to the keeping of farm and household records of receipts and expenditures.

The length of time or greater number of years spent in farming was positively related to the consideration of a financial plan, keeping of farm accounts, and an organized plan for savings. Increased years spent in farming had no relationship that was significant at the .05 level by chi-square test insofar as the keeping of household records and whether or not the farm operator had made a will.

Tenure did not prove to be an important factor except that a greater percentage of those who owned farms reported an organized plan for savings than did the percentage of those who were renting farms. Since only seven of those in the study were renters the figures may have little value.

Increasing size of household had a positive relationship to the use of a fairly well defined financial plan and the keeping of some type of household records.

TABLE 8.—Distribution of 101 Farm Operators by Number of Years of Formal Schooling and Whether or Not They Kept Farm Records.

Years of Schooling Completed	Number	Farm Records Are Kept	
		Yes	No
		Percent	Percent
4 or less	5		100
5 - 8	57	66	34
9 - 11	23	79	21
12 or more	16	100	
All operators	101	70	30

As observed in Table 7 each of the practices selected for study had a fairly low rate of adoption by the group as a whole. Only 12 percent of the 101 operators had any written or well defined financial plans. Seventy percent of the group did keep fairly complete records of farm income, receipts, and expenditures though only 18 percent had organized account books in which entries were made. Comments would indicate that most records were kept primarily for purposes of reporting figures for Federal income tax but were not analyzed in terms of the progress of the farm business. The keeping of farm records was positively related to the increased years of schooling completed by the farm operator (Table 8).

Few families kept household records (14 percent). Those who did not keep records were asked if any attempts had ever been made. Seventy-four percent replied in the negative. Approximately 18 percent indicated that they had tried at one time or another but that it was difficult to secure family cooperation. Others stated that their income had never been large and that record keeping seemed unimportant. Approximately 20 percent believed that keeping household records was unneccessary, took too much time, and was too complicated.

Sixty-six of the husbands and wives (approximately two-thirds of the group) had a joint bank checking account and in 5 families reported the use of a safety deposit box, and it was these same families also, who had a business desk or regular filing place for business papers in the home. All other families reported that business papers were "usually" placed in one spot around the house. Observation on the part of the interviewer would lead one to believe that these "spots" were in bowls on dining tables, in dresser drawers and on dining room or kitchen buffets.

In view of the number of operators in the study and the high percentage of land-owners (93.9 percent), it is significant that only 36

TABLE 9.—Distribution of 101 Southeastern Ohio Farm Operators By Age and Whether or Not They Had Made a Will.

Age	Number	Whether Made a Will: Yes	No
		Percent	Percent
Under 35	8	12	88
35 - 44	23	26	74
45 - 54	24	37	63
55 - 64	27	40	60
65 and over	19	47	53
All operators	101	36	64

percent of this number had ever made a will. In relating this number to the age and educational level of operators there was a positive relationship (Tables 9 and 10). In drawing up their wills a number of operators (20) had employed an attorney to execute such. Seventeen of the number reported that their wills were written entirely in the operator's own handwriting. Each of these were written without benefit of legal advice though all 17 operators indicated they had made certain that the correct number of attesting witnesses had been present when the document was signed and that the writing was in line with state statutes.

Approximately one-half (32) of those who had not made a will stated that the matter had been discussed by the family at one time or another. They had, most reported, simply postponed getting the job done. The remainder of the group reported various reasons for not considering a will. Replies can be summarized in statements such as "I don't have enough property to bother about," and, "It's bad luck to make a will. One usually dies shortly thereafter." There was little

TABLE 10.—Distribution of 101 Southeastern Ohio Farm Operators By Number of Years of Formal Schooling and Whether or Not They Had Made a Will.

Years of Schooling Completed	Number	Whether Made a Will: Yes	No
		Percent	Percent
4 or less	5		100
5 - 8	57	21	79
9 - 11	23	52	48
12 or more	16	75	25
All operators	101	36	64

TABLE 11.—Distribution of 101 Farm Operators by Number of Years of Formal Schooling and Whether or Not They Had an Organized Plan of Savings.

Years of Schooling Completed	Number	Whether An Organized Plan for Savings	
		Yes	No
		Percent	Percent
4 or less	5		100
5 - 8	57	17	83
9 - 11	23	35	65
12 or more	16	79	21
All operators	101	29	71

question but that superstition had played a considerable part in the refusal of many families to even discuss the matter.

Forty-seven of the owners who indicated that property was held jointly considered this arrangement to take the place of a will.

The manner in which farm operators and their wives plan for disposition of property at the death of the husband or wife or both may indicate that the family has an understanding of its financial position as well as a positive preference for the final disposition of the property. Having made such provisions there should follow feelings of security which comes with the knowledge that legal and/or financial provisions have been made. It appeared that much more might be done in the consideration of how holdings would be disposed of should death occur in the lives of families in this study.

Of the number of operators who had not made a will (64), 52.4 percent reported that they had discussed with their families the problem of support in event of death. The means of family support in such circumstances as stated by the operators and in order of frequency were: (1) the survivor continue to operate farm (42.2 percent), (2) the survivor sell out and live on possible inheritance (22.7 percent), (3) children would support survivor (20.8 percent), (4) survivor would live with children or other relatives (11.3 percent).Twenty-two percent of all families in the study did not know what they would do to support themselves in the event of the death of the family breadwinner. Only 11 families had discussed what would be done in event of the death of the wife.

Operators with the greatest number of years of formal schooling completed showed greater tendency to plan an organized savings program (Table 11). When all operators were considered, however, only

29 percent of the total number of those in this study reported the practice.

Methods of savings mentioned were investments in insurance, deposits in bank savings accounts and Government Savings Bonds. In these cases most reported setting aside regular amounts each month and sincere effort on the part of family members to save the amount in spite of other needs or emergencies. No operator under the age of 35 or over 65 years reported the practice (Table 12). The average amount set aside each month by families reporting the practice was $15.83. The range was from $10 to $25.

Fifty-seven percent of all operators reported that farm lands, additions to livestock, equipment, farm, and building improvements were their only investment. Only a small proportion of the operators (5) reported any plan to supplement or to change their present methods. A few had considered changes but had not made them.

Social security benefits were mentioned as a source of income during later years or retirement by 52 percent of the operators. Less than 8 percent had any plans beyond this for income during later years other than, of course, income to be realized from the farm. Fifty-six families believed that returns from farming would be of first importance and sufficient to meet needs. Others were uncertain or did not feel that they would be able to accumulate enough to keep them comfortably in old age. There were factors contributing to this attitude. Some were not sure as to their economic situation in a few years or what health emergencies might limit their ability to earn. A number of operators (40 percent of those under 55 years of age) reasoned that they might extend farm income with increased non-farm employment, yet no one in the study beyond this age was utilizing this means of extra financial support. With non-farm employment presently unstable in the area, low farm incomes, low land values, and low capital inputs per farm it would appear that the majority of families needed help in making plans for older years based upon their own limitations and resources.

General Practices

Information secured in addition to that relating seven factors descriptive of farm operators to the use or non-use of 5 selected practices concerned the amount and kind of insurance carried and the use of credit and borrowing practices.

Insurance Carried

Operators and their wives were asked how much insurance was carried on the lives of family members. Sixty-eight of the families carried some type of insurance on some member or members of the

TABLE 12.—Distribution of 101 Farm Operators by Age and Whether or Not They Had an Organized Plan of Savings.

Farm Operators		Whether An Organized Plan for Savings	
Age	Number	Yes	No
		Percent	Percent
Under 35	8		100
35 - 44	23	11	89
45 - 54	24	14	86
55 - 64	27	4	96
65 and over	19		100
All operators	101	29	71

family. Thirty eight of the operators carried life insurance only; 24 carried in addition to life insurance some type of health or accident insurance or both on themselves (Table 13). Five operators had accident insurance which included burial provisions.

Generally, the younger farmers were more likely to have life insurance and to carry larger amounts than were the older ones. The average amount of the life insurance policies for operators under 45 years of age was $3,150 and for those 45 and over $2,500.

Ninteen of the operators carried life insurance on the wife and 10 on one or more of the children. Five families carried personal liability insurance. All families reporting ownership of an automobile (83) carried insurance on the car but only slightly more than two-thirds (67.2) had farm buildings insured.

Insurance was not used widely, therefore, as a protection against the contingencies of disability or death or an an emergency measure should disaster strike. It would appear that much more might be done in helping farm families to better appreciate the place of a sound insurance program in their financial management planning.

TABLE 13.—Type of Insurance Carried by 101 Farm Operators, Southeastern Ohio.

Type of Insurance	All Operators	
	Number	Percent
No insurance	36	35.6
Life insurance only	38	37.6
Life and health insurance	12	12.0
Life and accident insurance	3	2.9
Life, health and accident	9	9.0
Health insurance only	2	2.0
Accident insurance only	1	.9

TABLE 14.—Number of Families Having Encountered Certain Emergencies Since Marriage and the Percentage of the Number Reporting No Assistance Through Insurance Coverage (101 records).

Emergency Encountered	Number of Families Having Encountered	Percentage of the Number Reporting No Assistance Through Insurance Coverage
Car damage to property of another	37	81
Injury to other	21	76
Damage to own car	62	80
Injury to other on own property	32	87
Theft of car or truck	5	80
Theft of household possessions	8	88
Theft of farm equipment	11	82
Theft of crops	5	100
Theft of livestock	14	100
Fire damage to home	42	88
Fire damage to farm buildings	47	80
Wind damage to house and farm buildings	20	75
Wind damage to crops	73	86
Hail damage to house and farm buildings	33	90
Hail damage to crops	68	85
Loss of livestock	51	82
Medical expenses	74	87
Funeral expenses	39	66

Inquiry relative to some of the situations creating financial emergencies since marriage would seem to substantiate this consideration. Interviewees were asked to recall as best they could some of the circumstances and whether or not they had carried any type of insurance which had helped them in making a financial adjustment to the emergency. To assist respondents in recall, a card containing a list of possible circumstances or situations was made available.

A high percentage of the 101 families had encountered one or more of the situations suggested on the card. Of this number, a large proportion did not have any form of insurance to assist in financial recovery (note Table 14). Here it will be noted that conditions most frequently creating the reverses and for which insurance coverage had not been provided were damages to automobiles (either owned personally or the property of another), medical and funeral expenses, fire damage to farm and home buildings, wind and hail damage to crops, loss of livestock, and injury to others on their own property.

Though no question relative to extent of damage or length of time necessary for financial recovery was contained in the interview, unsolicited comments would lead one to believe that reverses suffered were not met through savings or other investments but by sacrifices on the part of family members in the allocation of income during ensuing years.

Credit and Borrowing Practices

Relatively few families were making use of credit at the time of interview. About one-third or 36.6 percent reported some indebtedness to commercial banks, 16.8 percent to finance companies, and 14.8 percent had personal loans from friends and relatives. The largest indebtedness was reported by those in the 45 to 54 age range. It will be recalled that it was also this age group which reported the higher incomes and largest assets during the year of study.

Of the 37 families reporting indebtedness to commercial banks, 34 stated that the loan covered a real estate mortgage, 11 said that the indebtedness covered both a real estate mortgage and a chattel mortgage, and two said that the loan covered a real estate mortgage and a personal loan. Among other holders of real estate mortgages were the Federal Land Bank (3), building and loan associations (2), and the Farmers Home Administration (2). Real estate mortgages averaged $2,100 and ranged from $810 to $4,800.

Machinery dealers held 82 percent of the total chattel mortgage indebtedness reported. The average for all chattel mortgages was $1,218.

Indebtedness to finance companies in each instance (17 families) was for purpose of covering the cost of purchase of a passenger car or a farm truck. This indebtedness averaged $517 for the 17 families having the indebtedness. The average age of passenger cars owned was 6.3 years.

Few families (15) used either charge or installment accounts. When used these most generally covered feed, seed and fertilizer or machinery purchases for the farm.

Families generally did not feel justified in borrowing money or using credit of any kind in the purchases of appliances or other furnishings for the home. In response to inquiry so directed, 68.3 percent replied in the negative.

Operators and their wives were asked to indicate whether or not they believed that there were ample facilities for obtaining credit in their county. In reply to the question 78 percent replied "yes", 3 percent "no" and 19 percent "don't know." Forty-one percent of the group stated that they had never tried to obtain credit at any time.

In answering the question, "When you have considered the borrowing of money or obtaining credit have you ever sought the advice of anyone in your community?" 44 of the operators said that they usually went to "the man at the bank," nine said that they had consulted with the county Agricultural Extension agent, and 18 mentioned talking the matter over with parents and/or other relatives. Thirty operators stated that they had never discussed the matter with anyone.

Knowledge of sources of credit and the willingness to discuss the subject would appear to indicate an awareness of credit possibilities. Ordinarily, the farm family which is familiar with more sources of credit might be expected to make greater use of this resource and to obtain it at the most advantageous cost.

Again, if knowledge of sources of credit was associated with use of credit, persons and agencies concerned with effective use of credit by farm families would be able to design better programs of education and action. Indications were that the families included in this study were not making the most effective use of credit resources available.

SUMMARY

Data in this study were obtained from personal interviews with 101 farm operators living in seven counties, southeastern Ohio. Whenever possible, interviews were held with the wives of the operators also. The sample was randomly selected from the 469 families who had previously participated in a study relative to the economic development and use of physical and financial resources in low income farm areas. The results of the latter study have been reported in Ohio Agricultural Experiment Station Research Bulletin 886, June 1961 authored by Donald D. Steward. Information secured in connection with the present report was for purposes of determining some of the managerial practices of farm families in a low economic farming area and to determine attitudes with respect to certain selected practices associated with good financial management.

The average age of the 101 operators interviewed was 51.6 years. Only 7.9 percent were less than 35 years of age; 45.5 percent were 55 years of age or older. The average age of all wives was 48.6 years.

The formal schooling of operators averaged 8.8 years with those of older years reporting less formal education than those of younger years. Wives had slightly more schooling averaging 10 years.

Net family income reported for the year of study ranged from debts greater than income—$800 to $7,650. The average net income reported by all families was $2,175.

Scores used for purposes of determining level of living and socio-economic status showed that the majority of families (57.4 percent) lived at a substantially lower level than do many of Ohio's farm families.

The relationships of seven factors to the adoption of certain practices which appear to be associated with sound farm and home management were analyzed. The seven factors were: (1) score on the Sewell socio-economic status scale, (2) increasing education of the farm operator, (3) increasing age of the farm operator, (4) increasing number of years spent in farming, (5) tenure (owner or tenant), (6) increasing number of acres operated, and (7) increasing size of household.

Managerial practices studied were (1) whether or not families had any written or fairly well defined plans for the management of income, (2) if operators kept records of farm income and expenditures, (3) if household records were kept, (4) if operators and their families had any organized plan for family savings, and (5) if the farm operator had made a will.

The analysis revealed that two factors, the score on the Sewell scale and the increased educational level of the farm operator, had a positive relationship to all five practices. Younger ages were positively associated with written or fairly well defined financial plans, organized plans for savings, and the making of a will. Younger age had a negative relationship to the keeping of farm household records of receipts and expenditures.

The greater number of years spent in farming was positively related to the consideration of a financial plan, keeping of farm accounts, and an organized plan for savings. Increased years spent in farming had no relationship that was significant insofar as the keeping of household records and whether or not the farm operator had made a will. Tenure did not prove to be an important factor except that a greater percentage of those who owned farms reported an organized plan for savings than did the percentage of those who were renting farms. Since only seven of those in the study were renters the figures may have little value. Increasing size of household had a positive relationship to the use of a fairly well defined financial plan and the keeping of some type of household records.

Important, however, was the fact that each of the practices selected for study had a fairly low rate of adoption by the group as a whole. Eighty-eight percent of the 101 operators had no written or well defined financial plans, 30 percent kept no records of farm income, receipts, or expenditures and 86 percent of the families kept no household records. Seventy-one percent had no organized plans for savings and 64 percent of the operators had never made a will.

Furthermore, only 38 (37.6 percent) of the operators carried life insurance. The average amount of life insurance carried by operators under 45 years of age was $3,150 and for those over 45 years, $2,500. These figures are low in comparison with standards based on results of national figures and the needs of present-day families.

All families reporting the ownership of an automobile (83) carried insurance on the car but only slightly more than two-thirds (67.2 percent) had farm buildings insured.

Fifty-seven percent of the operators reported that farm lands, additions to livestock, farming equipment, and farm and building improvements were their only methods of savings. Social security payments were mentioned by 52 percent as a source of income during later years and less than 8 percent of the remaining group had any other plans for income during later years beyond, of course, income to be realized from the farm.

Few families were making wide use of credit at time of interview. About one-third (36.6 percent) reported some indebtedness to commercial banks, 16.8 percent to finance companies, and 14.8 percent had personal loans from friends or relatives. Families did not look with favor upon the general use of credit.

The findings of this study would indicate that there may be a strong interrelationship between farm and home managerial practices and some of the economic problems encountered by many families in the less productive farming areas of the state. Also, it would appear that knowledge relative to the subject should be increased by more intensive research hence providing greater background of facts upon which educational programs can be more effectively and rapidly carried out.